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Monthly Statistical Report

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SUMMARY

Though there have been some recent hints of improvement in the economic outlook, the most recent data on petroleum deliveries have not shown any strengthening when viewed on a month-to-month, seasonally-adjusted basis. However, petroleum consumption historically has not really been a "leading indicator" of economic recovery—and thus, petroleum deliveries' continued weak showing, taken alone, may not necessarily have to be interpreted as an adverse economic omen. In terms of relative growth rates, petroleum demand has even tended to lag behind the economy due to continued petroleum efficiency gains and substitution of other fuels.

On a year-to-year basis, petroleum deliveries rose 1.7 percent for March and nearly the same for the quarter as a whole. But this was a hollow gain, given that deliveries in the year-ago period had been the lowest first quarter in five years. In fact, compared to the recent-year peak for first quarter deliveries in 1989, this year's first quarter deliveries were still off by a substantial 5.8 percent.

For individual products as well, year-to-year increases were partly a reflection of weak deliveries during the first quarter of last year. Although the year-to-year gain for the quarter of 2.6 percent for gasoline was, if anything, a bit stronger than suggested by underlying consumption indicators, kerosine jet fuel deliveries dropped nearly 5 percent despite indications of increased air traffic.

Meanwhile, the first quarter's domestic crude oil production fell 2.4 percent—the largest year-to-year drop in a year and a half. The 180 thousand B/D year-to-year decline put domestic output at less than 7.3 million B/D, 20 percent lower than for the same quarter of 1986.

Total imports rose 8.7 percent for March and 5.7 percent for the first quarter compared to the year-ago period. Although imports averaged 7.2 million B/D for the first three months, the underlying trend in imports requirements is still estimated to be running half a million B/D higher. Draws on domestic inventories during the first quarter of about twice the typical rate help to explain the difference.

Input to refineries was up marginally versus a year ago in March, but was still down close to 1 percent for the quarter as a whole. For March, the emphasis on gasoline over distillate production continued; gasoline output rose only slightly, year to year, while distillate fell nearly 6 percent. Though gasoline stocks ended the month somewhat below typical levels for March, they were still 9 million barrels higher than a year ago. Distillate stocks, with most of the heating season gone, dropped to 95 million barrels, compared with a recent-year minimum observed for the month of 90 million barrels.

PRODUCT SUPPLIED [1]

Gasoline

CONSUMPTION GROWTH LIKELY LESS THAN FOR DELIVERIES. Gasoline deliveries' recent year-to-year increases slackened in March to 1.1 percent, following increases in January and February averaging over 3 percent.

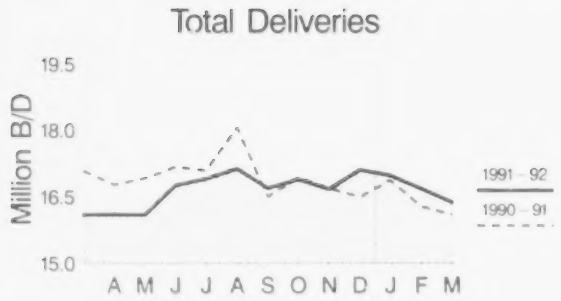
For the quarter, however, the increase still amounted to 2.6 percent over year-ago levels—giving the impression of greater strength than actually has been the case, since deliveries in last year's first quarter had been the lowest for gasoline since 1987. Even with the weakness of the year-ago period, and even with the slight demand boost likely given over the past winter by warmer weather and better-than-average driving conditions, this year's first quarter year-to-year deliveries increase seems a bit larger than was likely for consumption. We estimate that the consumption gain would have been more on the order of 1 to perhaps 2 percent.

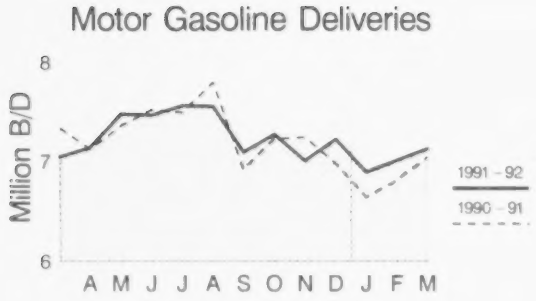
Although March's gasoline deliveries' growth weakened from prior months' increases, the most recent data on travel followed the opposite pattern. Travel in December and January, according to the latest estimates, were both up nearly 5 percent, year to year, and not just because of unusually restrained travel in the year-ago period. More-favorable-than-usual driving conditions likely played a part in this above-trend occurrence. If this was the case, a year-to-year increase for March of only half that magnitude would be estimated, based on the trend in travel in the months prior to December.

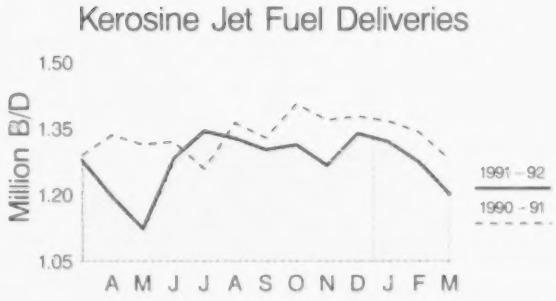
It appears that premium unleaded's market share may finally be regaining the 20 percent mark, according to Department of

API ESTIMATES

	MARCH		YEAR-TO-DATE	
	Million B/D	Percent Change	Million B/D	Percent Change
Total domestic deliveries	16.4	1.7	16.7	1.6
Crude production[2]	7.3	(2.8)	7.3	(2.4)
Total imports[3]	7.1	8.7	7.2	5.7
Stocks (million bbl)[4]	1,001	1.1	na	na







Energy data. Premium's share had dropped from 22-23 percent to less than 16 percent within a few months in response to higher prices following the outbreak of the Iraq-Kuwait crisis in mid-1990. Since then, with the subsequent drop in gasoline prices, its share has been inching upwards again, mainly at the expense of unleaded regular. That grade's share has slipped from just over 70 percent at the end of 1990 to about 67 percent more recently. Mid-grade unleaded's share has been gradually rising as well, and currently stands at around 12 percent, compared with just under 10 percent at the end of 1990. Leaded regular, which as recently as four years ago held a roughly 20 percent share, has dwindled to a bare 1 percent of the market.

Distillates

TRANSPORT AND HEATING USAGE BOOST CONSUMPTION. Amid indications that highway, heating and rail use of distillate fuels all increased, year to year, during March, deliveries rose 4.2 percent from the same month a year ago. For the month and for the year's first three months collectively—for which deliveries rose 2.8 percent—the change was directionally in line with underlying consumption indicators.

While first quarter weather was mild by historic standards, temperatures were lower this year than last. This was particularly true in March when heating degree days rose more than 20 percent, year to year, along the East Coast. Nationwide, by our estimates, the cooler weather would be expected to have contributed to a year-to-year increase of 85-100 thousand B/D in heating fuel consumption during the month.

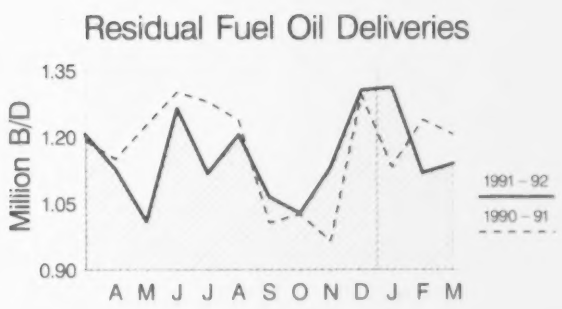
Transportation demand appears to have grown as well during March—albeit from extreme lows of a year ago. Based on trends in truck travel, we estimate that highway diesel demand grew about 4 percent, or about 40 thousand B/D during the month. Meanwhile, rail traffic reportedly increased 5-6 percent, year to year, during the month—growth which would translate into about a 10-15 thousand B/D increase in consumption, year to year.

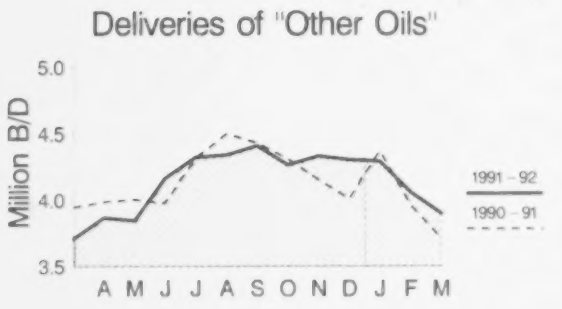
Kerosine Jet Fuel

DELIVERIES LAG AIR TRAVEL. Despite estimated year-to-year growth in miles flown by commercial airlines in each of the year's first three months, deliveries of jet kerosine fell 6.1 percent during March and 4.8 percent for the first quarter as a whole. March was the eighth consecutive month—and the twelfth in the last thirteen—in which deliveries fell, year to year. While the particularly sharp decline reflects, in part, the above-trend levels a year-ago, (when price relationships are believed to have encouraged above-normal blending with distillate fuels), jet fuel deliveries for the quarter were still the lowest for a similar period in five years.

After recovering through last summer from war-related lows of a year ago, air travel has been static, seasonally-adjusted, over the past six months. Still, we estimate that miles flown by commercial airlines grew 4-5 percent, year to year, during March—about on par with the increase for the quarter in aggregate. Such growth would bring miles flown close to their level of two years ago, when they reached a first quarter record.

Data from the Federal Aviation Administration confirms that commercial demand is up, year to year. During January and February, reported consumption by airlines grew 3-4 percent from the same period a year ago. Thus, it appears that non-primary inventory draws were larger (or builds smaller) this year than last. One factor influencing this may have been the exit of Pan Am and Midway airlines near the end of last year. Conceivably, this would have freed up non-primary inventories for use by other airlines, thus supplanting deliveries from current production and imports.





Weak military demand, due to a scaling back of activities, may also be contributing to the low level of deliveries. The Defense Fuel Supply Center reports that U.S. fuel liftings have been about 35 percent below contract allotments early in 1992—which is close to the minimum the contracts allow. This could account for as much as 20-25 thousand B/D of the year-to-year deliveries decline.

Residual Fuel Oil

DOWN FOR MARCH, FLAT FOR THE QUARTER. Despite growth in electricity output, more competitive resid prices, and indications of stronger bunker fuel demand, deliveries of residual fuel oil still fell 5.4 percent, year to year, during March. First quarter deliveries were only about even with the same period a year ago—when, adjusted for seasonal variations, they had already been the weakest for any quarter since the 1940s.

Weather during the month was colder than last March throughout most of the nation. The late winter chill contributed to about a 4-5 percent increase in power generation in the East, and at the same time, served to bid up natural gas prices relative to heavy fuel oil prices.

While this likely delayed the springtime switch from resid to gas in some places, utility inventories of resid are believed to have been more than adequate to absorb the impact. Based on DOE data, we estimate that utilities resid stocks nationwide represented over 130 days of forward consumption at the beginning of the year—more than 4 weeks above the average for the same period over the past 5 years. Given increased gas availability in the Northeast during January and February, due to mild weather and the opening of the Iroquois pipeline from Canada, it is thought that utility resid stocks were relatively high entering March.

Also tempering the demand for residual fuel by utilities has been continued growth in nuclear output because of higher capacity utilization. In recent months, nuclear generation has taken market share from oil, gas, and coal. During the fourth quarter of 1991, for example, while overall electricity demand was about flat, nuclear generation increased five percent, year to year. Early indications for 1992 are that nuclear growth has continued.

In bunker markets (which account for about a third of U.S. resid demand), indicators suggest that consumption may be strengthening. While growth in the dollar value of U.S. imports and exports reportedly slowed during the first quarter, growth in tonnage shipped remains strong, due to strength in petroleum imports and exports and to increased coal exports. Together, by weight, trade of these commodities represents roughly half of U.S. waterborne foreign trade.

Other Oils

SIGNS OF WEAKENING DEVELOP. Though deliveries of "other oils" rose 5.2 percent, year to year, for March, other indicators suggest that deliveries have recently been less robust than this increase might suggest. First, the March increase was against deliveries a year ago which had dipped to an unusually low 3.7 million B/D, more than 200 thousand B/D below the then-current trend. For the first quarter as a whole, deliveries averaged a more modest 1.1 percent higher than a year ago.

Second, although the most recent information on petrochemical activity suggests continued growth in that sector, overall deliveries of "other oils" seem to have been flattening out over the past several months, if typical seasonal variations are filtered out. On this basis, deliveries had been strengthening modestly from one quarter to the next throughout 1991; but for the first quarter of this year, deliveries were actually weaker by perhaps 1 percent than in the prior quarter.

SUPPLY [1/]

Production

LARGEST QUARTERLY DROP IN 1 1/2 YEARS. Domestic crude oil production dropped 2.4 percent for the first quarter, the largest year-to-year drop in a year and a half. The 180 thousand B/D decline, roughly evenly split between the lower 48 and Alaska, depressed U.S. crude oil production to 7.3 million B/D—20 percent lower than the 9.1 million B/D produced in the same period six years ago. Over that period, lower 48 production alone has fallen by nearly one fourth.

The underlying decline trend in recent months still appears to be on the order of 150-200 thousand B/D in the lower 48 and about 100 thousand B/D in Alaska. Simply because this more rapid rate of decline has been observed for less than a year, it has not had time to be fully reflected when comparisons are made against figures from twelve months ago. Thus, year-to-year comparisons understate the more rapid decline that has been evident in

recent months—a trend estimated at an annualized decline rate of 250- 300 thousand B/D for the U.S. as a whole.

Imports

RECENT LEVELS UNDERSTATE UNDERLYING NEEDS.

Total imports rose 8.7 percent for March and 5.7 percent for the quarter versus the year-earlier period. This year's first quarter imports averaged 7.2 million B/D, but without the draw on domestic inventories, which was roughly twice the typical rate for the first quarter, imports would have been significantly higher—about 7.7 million B/D, compared with a trend of just over 8 million B/D before the Iraqi invasion of Kuwait in mid-1990.

Although product imports gained 9.4 percent over last year's first quarter, their level, at 1.66 million B/D, was in fact relatively low compared with the past several years. Except for the year-ago period, this was the lowest level of any quarter since 1983, reflecting the weaker domestic demand of the past year or two.

Product exports, on the other hand, have at least temporarily reached a new high recently, if the period of the Persian Gulf crisis is excluded. According to the most recent data available, product exports rose from around 800 thousand B/D last summer to over 1 million B/D in December and January, mainly because of a jump in distillate exports in the face of weak domestic demand.

Product exports, though an essential part of the U.S. petroleum supply/demand balance, have historically been relatively small—amounting to about 5 percent of domestic demand and less than 2 percent of the value of merchandise trade exports in 1991, for example. (Petroleum imports, on the other hand, accounted for over 45 percent of domestic oil consumption and a little over 10 percent of merchandise imports).

Since the U.S. is a net importer of petroleum, it stands to reason that product exports arise mainly because of special circumstances. As examples, roughly half of last year's exports were heavy products such as petroleum coke and resid, for which domestic markets are limited; for a short period in 1990-91, product exports were boosted because of overseas military demand during the Persian Gulf crisis; weak domestic demand and cold weather in Europe in early 1991 also led to some increased heating oil exports; and the closure of Mexico's Azcapotzalco refinery last spring for environmental reasons led to modest increases in gasoline exports to that country.

As for the more recent developments in distillate exports, weak domestic demand and significant price differentials between U.S. and foreign markets boosted exports to Europe from 20-40 thousand B/D last summer to roughly 160 thousand B/D this January. Exports to the Far East similarly jumped from 30-50 thousand B/D to 130 thousand B/D over the same period, and overall distillate exports rose from 140-150 thousand B/D last summer to 300 thousand B/D in December and 360 thousand B/D in January. Data are not available beyond that month, but price differentials since then appear to have diminished somewhat, suggesting that the export "boomlet" may have been subsiding more recently.

Refinery Operations

GASOLINE STILL LEADS OVER DISTILLATE OUTPUT.

Refinery activity rebounded partially during March from February's depressed levels. But although up half a percent, year to year, for the month, the first quarter's inputs to crude distillation units were still off about 1 percent from the year-ago period. This put the first quarter's inputs at a five-year low for similar periods.

While colder weather and increased heating fuel demand narrowed the price gap between heating fuel and gasoline during March, refiners continued to focus on the latter. Output of distillates declined 5.6 percent versus last March, while gasoline production rose a modest 0.7 percent. With this increase, production of gasoline reached its highest first quarter mark since 1979. Meanwhile, kerosine jet fuel production, which had been down more than 10 percent, year to year, on average during the previous five months, rose 3.5 percent from last March—the first increase since August. Resid production strengthened modestly from recent months, but was nonetheless off slightly from a year ago.

Capacity utilization rose from February to March, but was down from year-ago levels. On the basis of reported capacity, utilization was at 83.4 percent, down about a point from a year ago. On the basis of capacity in operation, utilization, by our estimates, was at 87-88 percent.

Inventories

FIRST QUARTER DRAW DOUBLE THE AVERAGE RATE.

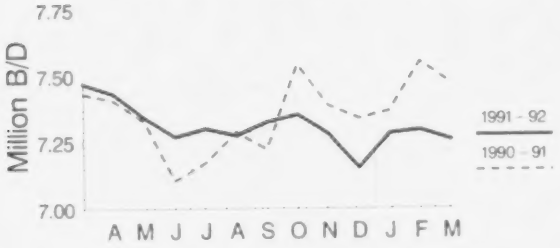
The 11 million barrel decline in total stocks for March was more or less in line with the historical average for the month, although for the first quarter as a whole, stocks' 46 million barrel drop was roughly double the typical rate. Gasoline and distillate stock declines in March of 8 million and 13 million barrels, respectively, were also roughly in line with typical patterns. Month-end levels of 220 million barrels for gasoline, though below the recent-year average of 230 million barrels, were still more than 9 million barrels above year-ago levels. Distillate stocks as well, at 95 million barrels, were less than the recent-year average for the month but 5 million barrels above the observed March minimum of 90 million barrels in 1988.

1/ Total supply, i.e., production plus imports adjusted for net stock change is equal to total products supplied from primary storage. Total products supplied from primary storage less exports is equal to total domestic products supplied. Information contained in this report is derived from information published in the API Weekly Bulletin and is based on historical analysis of the industry. All data reflect the most current information available to the API and include all previously published revisions.

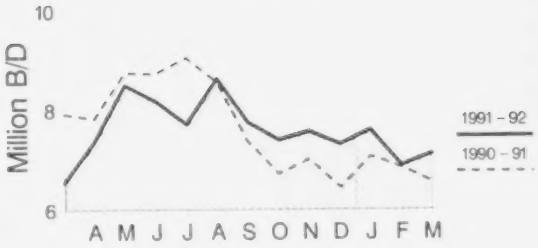
2/ Includes lease condensate.

3/ API data do not include crude oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR (according to the U.S. Department of Energy, the SPR held approximately 569 million barrels as of March 31, 1992).

Crude Oil Production



Total Imports



Input to Distillation Units

Total Inventories

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ESTIMATED UNITED STATES PETROLEUM BALANCE
(Daily Average in Thousands of 42 Gallon barrels)

Products Supplied/Supply From Primary Storage	MARCH			YEAR-TO-DATE		
	1992/1	1991/2	% Change	1992/3R	1991/2	% Change
Products Supplied:						
Total motor gasoline	7,127	7,047	1.1	7,010	6,833	2.6
Finished leaded motor gasoline/*	106	310	(65.8)	129	270	(52.2)
Finished unleaded motor gasoline/*	7,021	6,737	4.2	6,881	6,563	4.8
Naphtha-jet	150	154	(2.6)	157	172	(8.7)
Kerosine-jet	1,201	1,279	(6.1)	1,265	1,329	(4.8)
Distillate fuel oil	3,091	2,966	4.2	3,197	3,111	2.8
Residual fuel oil	1,141	1,206	(5.4)	1,193	1,191	0.2
All other oils/4	3,898	3,706	5.2	4,082	4,015	1.7
Reclassified/5	-229	-258	(11.2)	-220	-224	(1.8)
Total domestic products supplied	16,379	16,100	1.7	16,684	16,427	1.6
Exports	1,178	944	24.8	1,133	1,186	(4.5)
Total products supplied	17,557	17,044	3.0	17,817	17,613	1.2
Supply:						
Domestic production:						
Crude oil/6	7,259	7,471	(2.8)	7,279	7,459	(2.4)
Natural gas liquids	1,695	1,670	1.5	1,697	1,664	2.0
Other supply/7	1,119	1,271	(12.0)	1,161	1,146	1.3
Total domestic supply	10,073	10,412	(3.3)	10,137	10,269	(1.3)
Imports:						
Crude oil, total/8	5,429	5,129	5.8	5,549	5,304	4.6
Canadian	781	764	2.2	793	784	1.1
Other	4,648	4,365	6.5	4,756	4,520	5.2
Products, total	1,693	1,421	19.1	1,659	1,516	9.4
Residual fuel oil	277	331	(16.3)	349	379	(7.9)
Other	1,416	1,090	29.9	1,310	1,137	15.2
Total imports	7,122	6,550	8.7	7,208	6,820	5.7
Total supply	17,195	16,962	1.4	17,345	17,089	1.5
Stock change, all oils	-362	-82	******	-472	-524	******
Refinery Operations						
Input to crude oil distillation units	13,105	13,044	0.5	12,936	13,058	(0 9)
Operable capacity	15,709	15,672	0.2	15,659	15,668	(0.1)
Refinery utilization (%)/9	83.4	83.2	0.2	82.6	83.3	(0.8)
Crude oil runs	12,883	12,832	0.4	12,743	12,864	(0.9)

Stocks (millions bbls.)	1992		1991/2	% Change from	
	Mar. 31/10	Feb. 29/10	Mar. 31	Previous Month	Year Ago
Crude oil/8	338.9	341.8	336.8	(0.8)	0.6
Unfinished oils	106.2	102.1	106.7	4.0	(0.5)
Total motor gasoline/**	220.0	228.4	211.3	(3.7)	4.1
Finished leaded motor gasoline/*	4.1	4.7	8.0	(12.8)	(48.8)
Finished unleaded motor gasoline/*	177.7	184.9	164.6	(3.9)	8.0
Naphtha-jet	4.5	4.6	5.9	(2.2)	(23.7)
Kerosine-jet	38.9	38.3	38.7	1.6	0.5
Distillate fuel oil	94.7	107.6	98.3	(12.0)	(3.7)
Residual fuel oil	41.0	43.1	42.9	(4.9)	(4.4)
All other oils	157.2	146.7R	149.8	7.2	4.9
Total all oils	1,001.4	1,012.6R	990.4	(1.1)	1.1

/1 Based on API estimated data converted to a monthly basis.
/2 Source: U.S. Department of Energy.
/3 January, U.S. DOE, February-March, API.
/4 Includes crude losses.
/5 Beginning with January 1981, U.S. Department of Energy began using a new data collection system which encompasses a method to ascertain the amount of product reclassified during the production phase. So that there will be no double counting of these volumes, they are subtracted from the total domestic products supplied.
/6 API estimate; includes lease condensate.
/7 Includes Unaccounted-for crude oil, which will reflect withdrawls from the SPR when they occur, processing gain, field production of other hydrocarbons and alcohol.
/8 Data do not include oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR.
/9 Represents "Input to crude oil distillation units" as a percent of "Operable capacity".
/10 Derived by interpolating API weekly stocks data.
/R Revised.
/* Included in motor gasoline.
/** Includes finished leaded, finished unleaded, and motor gasoline blending components stocks.